

# REQUEST FOR PROPOSAL

## Addendum # 2



Department Of Executive Services  
Finance and Business Operations Division  
**Procurement and Contract Services Section**  
206-684-1681 TTY RELAY: 711

**DATE ISSUED: February 28, 2006**

**RFP Title: Liability Actuarial Review Services**

**Requesting Dept./ Div.: King County Department of Executive Services – Risk Management Division**

**RFP Number: 112-06RLD**

**Revised Due Date: March 7, 2006 - 2:00 P.M.**

**Buyer: Roy L. Dodman, [roy.dodman@metrokc.gov](mailto:roy.dodman@metrokc.gov) (206) 263-4266**

This addendum is issued to revise the original Request for Proposal, dated February 16, 2006 as follows:

1. The proposal opening date **is changed** from Thursday, March 2, 2006 to Tuesday, March 7, 2006, no later than 2:00 p.m.
2. Section II, Project Specifications and Scope of Work, is deleted for all parts except for Part M – King County Contracting Opportunities Program, and replaced with a Revised Section II, Parts A through L, attached and forming a part of this Addendum.

This revised specification is due to the condensed budget time lines and the expiration of the current actuary contract on April 8, 2006. Actuary projections for 2007 have already been received; therefore, the scope of work had to be revised to reflect the new loss years for which work needs to be done.

3. In answer to a request for an electronic copy of the actuary report, no electronic copy is available. The County has one extra copy that may be copied at .15 cents a page. The document is approximately 150 pages in length.

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**TO BE ELIGIBLE FOR AWARD OF A CONTRACT, THIS ADDENDUM MUST BE SIGNED AND SUBMITTED TO KING COUNTY**

**Sealed proposals will only be received by:**

**King County Procurement Services Section, Exchange Building, 8<sup>th</sup> floor, 821 Second Avenue, Seattle, WA 98104-1598. Office hours: 8:00 a.m. - 5:00 p.m., Monday - Friday**

Company Name

Address

City / State / Postal Code

Signature

Authorized Representative/Title

Email

Phone

Fax

This Request for Proposal – Addendum will be provided in alternative formats such as Braille, large print, audiocassette or computer disk for individuals with disabilities upon request.

## **SECTION II – PROJECT SPECIFICATIONS AND SCOPE OF WORK (REVISED)**

### **PART A - PURPOSE**

Qualified casualty actuaries are requested to submit proposals for the actuarial review of the County's third-party liability program (which includes exposures associated with general and automobile liability and errors and omissions) and workers' compensation program, which handles claims for all King County Departments.

### **PART B - BACKGROUND**

Effective January 1, 1994, the Municipality of Metropolitan Seattle, known more widely as Metro, was legally merged with King County government. Metro had been responsible for the regional transit system and water quality (sewage collection and treatment programs). Following a two-year transition period, effective January 1, 1996, the risk management and workers compensation programs of Metro were consolidated with King County programs.

### **PART C - THIRD-PARTY LIABILITY**

Historically, approximately 40%% of the County's annual 2000 + claims volume is comprised of general liability exposures with automobile liability claims comprising approximately 60% of the claims volume. The County's risk management database (RiskMaster) captures claims information from April 1, 1977 through today.

Slightly more than 50% of the above claims volume is associated with Metro Transit Division. Approximately 95% of Metro Transit's claims are associated with automobile liability exposures.

King County has historically self-insured third party loss exposures and is currently purchasing excess liability insurance above a \$2.5 million self-insured retention.

### **PART D - DATA FORMAT**

Liability- We can provide summary paid loss and incurred loss estimates by policy year and detail claims records valued as of the present date. Detail claim records are also available for analysis but the database for transactions prior to 1/1/2000 did not record all historic reserves nor claims expense transactions date stamped.

Workers' Compensation – We can provide summary paid loss and incurred loss estimates by calendar year and individual claims records. Dated reserve adjustments are recorded in the database for all claims from 5/98 forward.

### **PART E - WORKERS' COMPENSATION**

King County has established self-insured and self-administered workers' compensation programs. Workers' Compensation data is in iComp a claims management Software program. iComp reports can be converted to Excel for data transmission. A report on the estimate of liabilities for the Workers Compensation program is to be completed by mid-march annually for use in the County's Comprehensive Annual Financial Report.

Historically both Metro and King County have purchased excess workers compensation coverage. Our current self-insured retention limit is \$1,000,000

### **PART F - PRIOR ACTUARY STUDIES**

King County has had annual actuary studies conducted of its third-party liability program since 1991. In 1995, a joint King County/Metro actuary study was prepared which developed estimates of incurred claims, projected 1995 and 1996 incurred claims and expenditures for both King County and Metro's third-party liability and workers' compensation exposures. Annual actuarial reports were prepared for 1996-2004 and are available for review. The most recent fee for completed work was \$13,500 for a review of County and Metro Liability and Workers Compensation claims, and an additional \$3,000 for an analysis of liability program funding requirements for liability of losses exceeding \$1million per occurrence.

### **PART G - WORK DESCRIPTION**

#### **1. SCOPE**

##### **a. Third-party Liability**

For 2007, the assignment will require projections of the County's general liability and auto liability losses for King County and a separate projection for the County's Metro Transit and Water Quality divisions. The analysis is to include:

- i. Projections of prior-year ultimate losses and outstanding incurred liability (1994-2006)
- ii. Projections of 2008 incurred claims funding requirements and projected claims expenditures. An estimate of rate adjustments required for preliminary budget development is required by February 1, 2007. A complete report will be requested by April 15, 2007.

Because of the manner in which the County finances losses, the liability analysis shall also contain a separate projection of funding requirements for that portion of incurred and projected losses expected to exceed \$1 million per occurrence.

#### **b. Workers' Compensation**

The Workers' Compensation program claims review shall include separate analysis of Metro Transit and County prior-year incurred claims, 2007 and 2008 expected claims expenditures and incurred claim levels.

The above analysis should be summarized in a written report (s). (The actuary may choose to prepare a report for third-party liability and a report for workers' compensation or cover both programs in a single report). The written report(s) should contain an executive summary of methods used and recommendations. The detail of the report(s) should contain a written explanation of approaches used and tables displaying data and calculations used in developing projections. The selected firm will be required to summarize methodology used and present findings to County staff and officials. For the purposes of preparing your 2008 third-party liability projection, please anticipate that there will be a requirement for two one-hour presentations of findings before County officials in addition to a presentation to the risk management staff. Please assume the same requirements in 2008 for the Workers' Compensation report.

## **2. SCHEDULE**

- a. A final report is to be submitted by April 15, 2007. The following schedule will be used (some dates tentative)

Request for Proposals	February 16, 2006
Proposals Due (Revised by Addendum 2)	March 7, 2006
Interviews (if necessary)	March 13-17, 2006
Proposer Selected	March 27, 2006

## **PART H - QUALIFICATIONS**

The lead actuary responsible for the work product shall be a casualty actuary and a Fellow of the Casualty Actuary Society (FCAS), and have at least three years experience preparing studies for similar clients. Experience with public sector, self-insured third-party liability programs is required.

## **PART I - PROPOSAL FORMAT**

Please limit your responses to no more than ten pages of text (excluding resumes and sample studies).

To simplify evaluation of proposals and establish comparability, proposals shall include the following items in the manner specified.

1. Describe your understanding of the assignment and the general methodology/analysis you propose to use in completing the assignment.
2. Describe how you intend to organize the completion of project tasks identifying project participants (*Who* will do *What*). Describe your project teams experience with similar assignments, indicating a minimum of two assignments that are the most relevant and describe why they are relevant to this

assignment. Attach resumes for professional project participants, identifying all professional designations, and provide the names and telephone numbers of two references from organizations for which you have completed similar reviews.

- a) Prepare a schedule showing, at least on a weekly basis, key milestones in completing this project.
- b) Identify how you propose to use the data from the various data sources. What kind of data integrity testing will you undertake? What are the data transmission medium (tape, disk) and format you prefer the data to be in and the number of years of data you would require and/or prefer.
- c) Indicate if you have any competing projects that might interfere with your ability to meet schedule requirements. If you do have other reviews, describe how you will assure the completion of this project per the schedule.
- d) Describe the location of principal participants on this project. Describe the location of your firm, the size of the firm, and what particular resources you have available from your firm that add value to your analysis/work. Describe the need for peer review and who will conduct this review, if appropriate.
- e) Describe what distinguishes your firm and your proposed plans for completing this assignment from other RFP respondents.

## **PART J - FEES**

Because the engagement will be multi-year, and future years may involve different required work, please provide your costs in the following format:

### **Third-party Liability Report as of 12-31-06**

1. Estimate of hours to prepare final report
2. Estimate of expenses
3. Hourly rate by staff classification
4. Rates and estimate of cost for a two, two-hour oral presentations of report
5. All-inclusive maximum fee
6. Billing process and schedule

### **Third-party Liability Report - 2007 and beyond**

1. All-inclusive maximum fee for 2007, 2008 and options to renew for 2009 and 2010.

### **Workers' Compensation Report as of 12-31-06**

1. Estimate of hours to prepare final report
2. Estimate of expenses
3. Hourly rate by staff classification
4. Rates and estimate of cost for a two, two-hour oral presentations of report
5. All inclusive maximum fee
6. Billing process and schedule

### **Workers' Compensation Report - 2007 and beyond**

All-inclusive maximum fees for new studies conducted annually for 2007-2008 with option for 2009 and 2010 report;

## **PART K - OTHER ACTUARIAL WORK**

Per the Purpose statement, the County may choose to contract for other actuarial work. It is anticipated that the selected proposer will be asked to prepare an estimate of hours for specific projects and then be compensated at an agreed upon hourly rate for such analysis.

Please specify a, not-to-exceed, hourly rate that you would agree to additional work performed in 2006, 2007, 2008, 2009 and 2010.

#### **PART L - EVALUATION CRITERIA**

Proposals will be evaluated by a committee of County Risk Management and Workers' Compensation staff based upon the following maximum points per category:

- |   |                       |
|---|-----------------------|
| 1. Cost   | 60 points             |
| 2. Qualifications   | 40 points to include: |
| a. Experience with comparable prior work,                             | 15 points             |
| b. Understanding of 2006 requirements, plan for completing assignment | 15 points             |
| c. Ability to do assignment within proscribed time-lines.             | 10 points             |

A two-step evaluation process may be used. First, a rating panel will rank the written submittals of proposing firms according to their qualifications, approach, cost and references. If King County deems it necessary to make further evaluation, it may, at its sole option, conduct interviews with all proposers, or a short-list of the highest ranked firms. A point value of maximum 50 points will be allotted to highest ranked firm if interviews are conducted. Final award would then be made based on the total value of written and oral evaluations.

#### **PART M – KING COUNTY CONTRACTING OPPORTUNITIES PROGRAM**

(Use Part M included in the original RFP)